

# Multiple Agency Fiscal Note Summary

**Bill Number:** 1832SHB

**Title:** Water resources management

## Estimated Cash Receipts

Agency Name	2001-03		2003-05		2005-07	
	GF-State	Total	GF-State	Total	GF-State	Total
Department of Revenue	(840,805)	(1,003,348)	(35,224)	(42,033)	0	0
Department of Community Development-Local	Indeterminate					
<b>Total:</b>	<b>(840,805)</b>	<b>(1,003,348)</b>	<b>(35,224)</b>	<b>(42,033)</b>	<b>0</b>	<b>0</b>

Local Gov. Courts*						
Local Gov. Other**	Indeterminate					
Local Gov. Total						

## Estimated Expenditures

Agency Name	2001-03			2003-05			2005-07		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Office of Financial Management	.2	32,880	32,880	.1	2,720	2,720	.0	0	0
Department of Revenue	.1	25,700	25,700	.0	0	0	.0	0	0
Department of Health	Fiscal note not available								
Department of Ecology	Fiscal note not available								
Interagency Committee for Outdoor Recreation	Fiscal note not available								
State Conservation Commission	.0	0	0	.0	0	0	.0	0	0
Department of Fish and Wildlife	Fiscal note not available								
Department of Natural Resources	Fiscal note not available								
Department of Agriculture	.0	0	0	.0	0	0	.0	0	0
<b>Total:</b>	<b>0.3</b>	<b>\$58,580</b>	<b>\$58,580</b>	<b>0.1</b>	<b>\$2,720</b>	<b>\$2,720</b>	<b>0.0</b>	<b>\$0</b>	<b>\$0</b>

Local Gov. Courts*									
Local Gov. Other**	Indeterminate								
Local Gov. Total									

**Prepared by:** Erik Fairchild, OFM

**Phone:**

360-902-0571

**Date Published:**

Preliminary 4/9/2001

\* See Office of the Administrator for the Courts judicial fiscal note

\*\* See local government fiscal note

# IndividualStateAgencyFiscalNote

<b>BillNumber:</b> 1832SHB	<b>Title:</b> Waterresourcesmanagement	<b>Agency:</b> 105-OfficeofFinancial Management
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## PartI:Estimates

☐ NoFiscalImpact

### EstimatedCashReceiptsto:

<b>Fund</b>					
<b>Total</b>					

### EstimatedExpendituresfrom:

	<b>FY2002</b>	<b>FY2003</b>	<b>2001-03</b>	<b>2003-05</b>	<b>2005-07</b>
FTEStaffYears	0.3	0.1	0.2	0.1	0.0
<b>Fund</b>					
GeneralFund-State 001-1	26,080	6,800	32,880	2,720	0
<b>Total</b>	26,080	6,800	32,880	2,720	0

Thecashreceiptsandexpenditureestimatesonthispagerepresentthemostlikelyfiscalimpact.Factorsimpactingtheprecisionoftheseestimates, andalternateranges(ifappropriate),areexplainedinPartII.

Checkapplicableboxesandfollowcorrespondinginstructions:

- ☐ Iffiscalimpactisgreaterthan\$50,000perfiscalyearinthecurrentbienniumorinsubsequentbiennia,completeentirefiscalnote formPartsI-V.
- ☒ Iffiscalimpactislessthan\$50,000perfiscalyearinthecurrentbienniumorinsubsequentbiennia,completethispageonly(PartI).
- ☐ Capitalbudgetimpact,completePartIV.
- ☐ Requiresnewrulemaking,completePartV.

LegislativeContact:	Phone:	Date: 04/05/2001
AgencyPreparation: ErikFairchild	Phone: 360-902-0571	Date: 04/05/2001
AgencyApproval: JimCahill	Phone: 360-902-0569	Date: 04/06/2001
OFMReview: RobinCampbell	Phone: 360-902-0575	Date: 04/06/2001

Part II: Narrative Explanation

II.A- Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Section 26 of this omnibus water bill includes a two-year tax incentive for certain water utilities who invest in qualifying water use efficiency measures. Additionally, it creates the "state water right trust account" in the general fund. This fund will receive an amount equal to one-third of the total tax savings during this two-year period for water right purchases by the Department of Ecology (DOE). It also includes a requirement for the Department of Revenue (DOR) to report total tax savings to the Office of Financial Management (OFM) and the legislature. This section by itself does not have a fiscal impact on OFM.

Section 32 requires OFM to provide six reports to the Governor and legislature. These include:

- 1. Section 32(3)- By October 1, 2001 OFM is required to complete an assessment of watershed planning. This includes an evaluation of the performance of both local watershed planning units and state agencies involved in watershed planning. The assessment and report must address:
  - > Progress of planning units in completing plans.
  - > The use of state funds by planning units and state agencies in developing plans.
  - > Assessment of the progress of planning units and DOE in setting in stream flows.It is assumed that OFM will utilize DOE planning unit leads and a survey of planning units to determine the progress of these groups in completing their plans, and setting in stream flow. Use of state funds will be determined by reports from state agencies and grant information from DOE (detailing planning unit expenses).
- 2. Section 32(4)- By January 1 of 2002, 2003, and 2004 OFM is required to report to the Legislature on whether DOE has adequate funding for fulfilling their responsibilities for processing water right applications through water conservancy boards. It is assumed that OFM will utilize an annual survey of conservancy boards and consultation with DOE to review and report on this issue.
- 3. Section 32(5)- By December 31, 2001 OFM, in consultation with the Department of Health (DOH), DOR, and DOE, is required to evaluate the long-term revenue impacts and the costs and benefits associated with potential tax incentives for water conservation and report findings to the legislature. This evaluation and report must address:
  - > The long-term revenue impacts and costs and benefits of the tax incentives provided in Section 26.
  - > Evaluate the costs and benefits, and revenue impacts of other potential water conservation tax incentives (including sales tax, use tax, utility tax and business and occupation tax).It is assumed that OFM would facilitate a discussion of the named state agencies to complete the analysis of these tax incentives.

- 3. Section 32(6)- By December 31, 2002 OFM, in consultation with DOE and DOH must evaluate the level of water savings occurring from the tax incentives provided in Section 26. It is assumed that DOH will provide estimated water savings from these tax incentives.

II.B- Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumption translates into estimates. Distinguish between one-time and ongoing functions.

II.C-Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumption translates into cost estimates. Distinguish between one-time and ongoing functions.

Section 32(3) will require 0.3 FTE for three months (July-August) to complete the required assessment and report on watershed planning.

Section 32(4) will require 0.2 FTE for two months each year in FY 2002, 2003 and 2004 to complete the required review and assessment of DOE funding needs associated with water conservancy boards.

Section 32(5) will require 0.2 FTE for six months (July-December) to complete the required evaluation and report on water conservation tax incentives.

Section 32(6) will require 0.1 FTE for 18 months (July 2001-December 2002) to establish the water savings reporting process for those utilities taking advantage of the tax incentive, coordination with DOH and DOE on this process, and completion of the report.

Employee benefits are calculated at 21% of salaries and wages.

Goods and services include \$2,000 for printing of the three reports, and standard goods and services costs for the FTE's.

Part III: Expenditure Detail

III.A-Expenditures By Object Or Purpose

	FY2002	FY2003	2001-03	2003-05	2005-07
FTE Staff Years	0.3	0.1	0.2	0.1	
A-Salaries and Wages	18,500	5,000	23,500	2,000	
B-Employee Benefits	3,255	1,050	4,305	420	
C-Personal Service Contracts					
E-Goods and Services	4,015	650	4,665	260	
G-Travel	310	100	410	40	
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
Total:	\$26,080	\$6,800	\$32,880	\$2,720	

III.B-FTE Detail: List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA.

Job Classification	Salary	FY2002	FY2003	2001-03	2003-05	2005-07
Budget Analyst	5,000	.3	.1	.2	.1	
Total		.3	.1	.2	.1	

Part IV: Capital Budget Impact

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

# Department of Revenue Fiscal Note

<b>Bill Number:</b> 1832SHB	<b>Title:</b> Water resources management	<b>Agency:</b> 140-Department of Revenue
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## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts to:

Fund	FY2002	FY2003	2001-03	2003-05	2005-07
GF-STATE-State 01-Taxes35-Public Utilities Tax	(418,445)	(422,360)	(840,805)	(35,224)	
Public Works Assistance Account-State 01-Taxes35-Public Utilities Tax	(80,893)	(81,650)	(162,543)	(6,809)	
<b>Total</b>	(499,338)	(504,010)	(1,003,348)	(42,033)	

### Estimated Expenditures from:

	FY2002	FY2003	2001-03	2003-05	2005-07
FTE Staff Years	0.3	0.0	0.1	0.0	0.0
<b>Fund</b>					
GF-STATE-State 001-1	25,700	0	25,700	0	0
<b>Total</b>	25,700	0	25,700	0	0

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternative ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☒ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☒ Requires new rulemaking, complete Part V.

Legislative Contact:	Phone:	Date: 04/05/2001
Agency Preparation: Ray Philen	Phone: 570-6078	Date: 04/06/2001
Agency Approval: Don Taylor	Phone: 360-570-6083	Date: 04/06/2001
OFM Review: Tristan Wise	Phone: 360-902-0546	Date: 04/08/2001

Part II: Narrative Explanation

II.A-Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

NOTE: Changes from proposed substitute bill: "Conservation and outreach programs" is added to the list of incentives to help reduce customer use of water. The state water right trust account is created in the general fund.

This fiscal note only addresses Section 26 of the substitute bill.

Section 26(2) establishes a public utility tax deduction for 75 percent of the amount expended to improve consumers' efficiency of water or reduce water use when implementing a conservation plan within a state approved water system.

Section 26(3) establishes a public utility tax deduction for 75 percent of the amounts received for water services supplied by an entity that holds a reclaimed water permit under RCW 90.46.030 when the water supplied is reclaimed water.

Section 26(4) directs that one-third of the total tax savings resulting from this section be appropriated from the general fund to the state water right trust account.

Section 26(5) sets an expiration date of June 30, 2003.

II.B-Cash Receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one-time and ongoing functions.

ASSUMPTIONS/DATA SOURCES

It is assumed that the effective date of this legislation is May 1, 2001.

The diversion of general fund revenue to the water right trust account pursuant to Section 26(4) is shown in this fiscal note, since the calculation of the amount would be the responsibility of the Department.

AUDIT ASSESSMENTS (Impact resulting from recent audit activity)

This legislation does not result from recent audits.

CURRENTLY REPORTING TAXPAYERS (Impact for taxpayers who are known or estimated to be currently paying the tax in question)

Section 26(2): This section establishes a public utility tax deduction for 75% of water conservation expenditures. For purposes of this analysis, it is assumed that conservation expenditures include equipment (e.g., shower flow restrictors, metering devices, etc.) and expenditures for educational programs to encourage water conservation. Based on a survey of a sample of water districts, it is estimated that approximately \$12 million is spent by water districts on qualifying conservation measures.

One-half of the \$12 million expenditure on conservation is made by 20 out of the approximately 550 water districts paying public utility tax. Most of this amount is spent by large cities in King County. Total public utility tax paid by water districts is approximately \$27 million.

Based on the above information, Section 26(2) will result in a loss of general fund revenue of approximately \$32,000 in FY 2001 and \$379,000 in fiscal year 2002. Twenty percent of the 4.7 percent basic rate is directed to the public works fund. This fund will have a loss of \$6,000 in FY 2001 and \$73,000 in fiscal year 2002.

Section26(3):AstudyrecentlycompletedbytheDept.ofEcologygivessomeindicationoftheamountofwaterservices usingreclaimedwaterandfutureconstructionprojectsthatwillmakeavailablereclaimedwater.Thisinformationand telephoneconversationswithwaterdistrictswereusedtodeterminetheamountoffreclaimedwaterthatwillpotentiallybe sold.Basedonthisinformationitisestimatedthatthislegislationwillresultinalossofgeneralfundrevenueof approximately\$39,000infiscalyear2002.Thereisnoimpacttolocaljurisdictions.Twentypercentofthe4.7percent basicrateisdirectedtothepublicworksfund.Thisfundwillhavealossof\$578inFY2001and\$7,500infiscalyear 2002.

TAXPAYERSNOTCURRENTLYREPORTING(Althoughsometaxpayersmaynotnowbepayingthetaxinquestion, someofthemwillbecomeawareoftheirliabilityinthefuture,asaresultofnormalenforcementactivitiesoreducation programsbytheDepartment.TheimpactforsuchtaxpayersisbasedontheDepartment'sstudiesofaveragetax compliance)

Alltaxpayersaffectedbythislegislationarebelievedtobereportingcorrectly.

TOTALREVENUEIMPACT:

StateGovernment(cashbasis,\$000):Impactofpublicutilitytaxdeductions;generalfundandpublicworksassistance account.

- FY2001-\$ (41)
- FY2002- (499)
- FY2003- (504)
- FY2004- (42)

StateGovernment(cashbasis,\$000):Diversionofgeneralfundrevenue

- FY2001-\$ (14)
- FY2002- (166)
- FY2003- (168)
- FY2004- (14)

StateGovernment(cashbasis,\$000):Transferstowaterrighttrustaccount

- FY2001-\$14
- FY2002- 166
- FY2003- 168
- FY2004- 14

LocalGovernment,ifapplicable(cashbasis,\$000):None.

II.C-Expenditures

*Brieflydescribeagencyexpendituresnecessarytoimplementthislegislation(orsavingsresultingfromthislegislation),identifyingbysection numbertheprovisionsofthelegislationthathesultintheexpenditures(orsavings).Brieflydescribethefactualbasisoftheassumptionsandthe methodbywhichtheexpenditureimpactisderived.Explainhowworkloadassumptionstranslateintocostestimates.Distinguishbetweenonetime andongoingfunctions.*

TheDepartmentwillincurcostsofapproximately\$25,700inFY2002toimplementthislegislation.Thesecostsinclude:

Oneruleamendmentatacostofapproximately\$9,700.Thesecostsincludestafftime,printingandpostage.  
0.2FTEatanITAS4level.Additionalprogrammingtimewillbenecessarytoprogramtwonewdeductioncodes.

SeparatedeductioncodeswillbenecessaryforboththedeductioninSection27(2)andtheexemptioninSection27(3)due tothereportingrequirementsestablishedinthebill.Thesedeductioncodesarenecessarytoidentifythedeductionamounts andthetaxsavingsasrequiredinthebillforpurposesofthereporttoOFMandtheappropriationtothewaterrighttrust account.

TheDepartmentwillattempttoabsorbthese costs. However, if this bill and others similar bills should pass, then the net impact may result in costs above the level the Department can reasonably absorb. In that event, the Department will need additional resources to implement this and the other pieces of legislation.

### Part III: Expenditure Detail

#### III.A-Expenditures By Object Or Purpose

	FY2002	FY2003	2001-03	2003-05	2005-07
FTE Staff Years	0.3		0.1		
A-	14,500		14,500		
B-	3,700		3,700		
E-	5,400		5,400		
J-	2,100		2,100		
Total:	25,700		25,700		

III.B-FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA.*

Job Classification	Salary	FY2002	FY2003	2001-03	2003-05	2005-07
HEARING SCHEDULER	30,043	0.0				
INFO TECH APPS SPEC 4	52,611	0.2		0.1		
Rules Manager	62,640	0.0				
RULES POLICY SPECIALIST	60,800	0.0				
TAX POLICY SPEC 2	51,324	0.0				
TAX POLICY SPECIALIST 3	58,071	0.1				
Total		0.3		0.1		

### Part IV: Capital Budget Impact

None.

### Part V: New Rule Making Required

*Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.*

The Department will amend WAC 458-20-179. Affected taxpayers include water distribution businesses.



# IndividualStateAgencyFiscalNote

<b>BillNumber:</b> 1832SHB	<b>Title:</b> Waterresourcesmanagement	<b>Agency:</b> 471-StateConservation Commission
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## PartI:Estimates

☒ NoFiscalImpact

Thecashreceiptsandexpenditureestimatesonthispagerepresentthemostlikelyfiscalimpact.Factorsimpactingtheprecisionoftheseestimates, andalternateranges(ifappropriate),areexplainedinPartII.

Checkapplicableboxesandfollowcorrespondinginstructions:

- ☐ Iffiscalimpactisgreaterthan\$50,000perfiscalyearinthecurrentbienniumorinsubsequentbiennia,completeentirefiscalnote formPartsI-V.
- ☐ Iffiscalimpactislessthan\$50,000perfiscalyearinthecurrentbienniumorinsubsequentbiennia,completethispageonly(PartI).
- ☐ Capitalbudgetimpact,completePartIV.
- ☐ Requiresnewrulemaking,completePartV.

LegislativeContact:	Phone:	Date: 04/05/2001
AgencyPreparation: VickiFlynn	Phone: 360-407-6202	Date: 04/06/2001
AgencyApproval: SteveMeyer	Phone: (360)407-6201	Date: 04/06/2001
OFMReview: Ann-MarieSweeten	Phone: 360-902-0538	Date: 04/06/2001

# IndividualStateAgencyFiscalNote

<b>BillNumber:</b> 1832SHB	<b>Title:</b> Waterresourcesmanagement	<b>Agency:</b> 495-Departmentof Agriculture
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## PartI:Estimates

☒ NoFiscalImpact

Thecashreceiptsandexpenditureestimatesonthispagerepresentthemostlikelyfiscalimpact.Factorsimpactingtheprecisionoftheseestimates, andalternateranges(ifappropriate),areexplainedinPartII.

Checkapplicableboxesandfollowcorrespondinginstructions:

- ☐ Iffiscalimpactisgreaterthan\$50,000perfiscalyearinthecurrentbienniumorinsubsequentbiennia,completeentirefiscalnote formPartsI-V.
- ☐ Iffiscalimpactislessthan\$50,000perfiscalyearinthecurrentbienniumorinsubsequentbiennia,completethispageonly(PartI).
- ☐ Capitalbudgetimpact,completePartIV.
- ☐ Requiresnewrulemaking,completePartV.

LegislativeContact:	Phone:	Date: 04/05/2001
AgencyPreparation: LeeFaulconer	Phone: 360-902-1804	Date: 04/05/2001
AgencyApproval: MarkJohnson	Phone: 360-902-1986	Date: 04/06/2001
OFMReview: Ann-MarieSweeten	Phone: 360-902-0538	Date: 04/06/2001

# LOCAL GOVERNMENT FISCAL NOTE

Department of Community, Trade and Economic Development

**Bill Number:** 1832 SHB

**Title:** Water resources management

**Part I: Jurisdiction-** Location, type or status of political subdivision defines range of fiscal impacts.

## Legislation Impacts:

- ☒ Cities:
- ☒ Counties:
- ☒ Special Districts:
- ☐ Specific jurisdiction only:
- ☐ Variance occurs due to:

## Part II: Estimates

- ☐ No fiscal impacts.
- ☐ Expenditures represent one-time costs:
- ☒ Legislation provides local option: To apply for additional funds to conduct assessments; water utilities would receive deductions for conservation expenditures and amounts received for reclaimed water.
- ☒ Key variables cannot be estimated with certainty at this time: Extent of reductions of public works funds or negative expenditure impacts for water utilities. Fiscal impact from this bill is expected to be minimal.

### Estimated revenue impacts to:

Indeterminate Impact

### Estimated expenditure impacts to:

Indeterminate Impact

## Part III: Preparation and Approval

Fiscal Note Analyst: Louise Davis	Phone: (360) 725-5034	Date: 04/05/2001
Leg. Committee Contact:	Phone:	Date: 04/05/2001
Agency Approval: Val Richey	Phone: 360-725-5036	Date: 04/06/2001
OFM Review: Linda Swanson	Phone: 360-902-0541	Date: 04/06/2001

## Part IV: Analysis

### A. SUMMARY OF BILL

*Provide a clear, succinct description of the bill with an emphasis on how it impacts local government.*

SHB 1832 would affect local governments through the following provisions:

Section 2 allows Water Resource Inventory Area (WRIA) planning units to apply for additional funds of up to \$100,000 for each in-stream flow and up to \$100,000 for each water quality component (no longer providing additional funding for habitat planning as in the original bill) included in conducting watershed assessments. This bill also specifies that a planning unit may elect to apply for up to \$100,000 to conduct a detailed assessment of multipurpose water storage opportunities or for studies of specific multipurpose storage projects (section 2).

Sections 3-4 clarify that a WRIA planning unit which receives funding beyond an initial grant (amount not specified, vs. \$50,000 in the proposed substitute) must submit an approved proposal to counties within four years of the date that funds are first drawn upon (vs. expended) by the planning unit (section 3). This bill also deletes a section on legislative intent regarding the processing of water rights applications (section 4).

Section 5 expedites the consideration and processing of water rights applications by setting guidelines (which may be modified after January 1, 2004) (section 5). The substitute bill adds clarifying language to this section.

Sections 6-7 expedite the administrative process for the consideration of water rights transfer applications by authorizing water conservancy boards to act on applications that the Department of Ecology would be authorized to act upon except those for trust water rights.

Section 8 provides for additional means for the establishment of water conservation boards.

Section 9 addresses and clarifies the jurisdiction and powers of water conservation boards, and requires (vs. allows) the Department of Ecology to assign a representative of the department to each board, as well as allowing the board to request and accept additional technical assistance from the department or from local governments.

Section 10 provides technical changes regarding the membership of water conservancy boards.

Sections 11 and 12 amend and clarify procedural requirements for the water conservancy board regarding the handling of the application to transfer water rights, including exempting tribal lands from the jurisdiction of the boards; a requirement in this version that the boards consult with DOE regarding transfers of water out of a WRIA, requiring certain tribal notification regarding applications, and requiring that boards consider comments from the public in making its decision (sections 11) and the review of the board's proposed decisions by the Department of Ecology (section 12).

Section 14 provides that neither the county, the Department of Ecology, nor commissioners or employees of the water conservancy boards shall be subject to any cause of action or claims arising from proposed decisions on transfers made by a board.

Section 15 clarifies conditions constituting a conflict of interest for the commissioner of a water conservancy board and provides additional procedures regarding the removal of commissioners.

Section 16 provides for the dissolution of water conservancy boards by the county, and also allows the DOE to request counties to dissolve boards on certain grounds.

Section 17 specifies the laws which would regulate the activities of the water conservancy boards.

Sections 18-20 require that the board is subject to requirements regarding disclosure of records to the public (section 18), address quorum requirements for the board (section 19), and state that nothing in the chapter on water conservancy boards affects transfers that may be approved under the laws regulating public groundwaters (section 20) (no change from original bill).

Section 21 adds a requirement that conservancy boards provide information regarding their activities to the Department of Ecology to assist the department in preparing their report to the legislature.

The bill also addresses incentives to reduce water use by: 1) providing an incentive for water distribution businesses to help reduce customers' water use through a variety of measures including distribution of rebates for conservation-related equipment, and also water conservation and outreach programs; 2) specifying that in computing taxes for public utilities, there shall be deducted from the gross income of the utilities 75% of those amounts expended to improve consumer efficiency or reduction in water use when the expenditures are implementing elements of a conservation plan within a state approved water system plan or a small water system management program; 3)

establishing a deduction for 75% of the amounts received for reclaimed water services; 4) providing that one-third of tax savings each year would be appropriated from the general fund to the state water right trust account, to be used by the Department of Ecology to purchase or lease water rights; 5) providing for expiration of this section on June 30, 2003 (section 26).

Other provisions in the substitute bill would:

- remove requirements in the original bill that the Department of Ecology develop certification procedures for water right examiners and review beneficial water use by permit holders (section 21).
- address conditions regarding the authorization of the transfer of family farm permits (section 22-25).
- amend provisions regarding water rights and address the administration by the department of ecology of trust water rights (section 29-32)

This act would take effect immediately (section 35).

## **B. SUMMARY OF EXPENDITURE IMPACTS**

*Briefly describe and quantify the expenditure impacts of the legislation on local governments, identifying the expenditure provisions by section number, and when appropriate, the detail of expenditures. Delineate between city, county and special district impacts.*

This substitute bill would have no expenditure impacts on local governments, except possible savings to public water utilities from a tax incentive (section 27), under which utilities would be able to claim a deduction of 75% of conservation expenditures made or amounts received for reclaimed water up to June 2003. Potential savings are indicated below.

Assumptions:

- Water conservancy boards would be affected due to the proposed measures which would authorize these boards to consider applications for water right transfers that were previously processed by the Department of Ecology in order to expedite administration (sections 6, 7, and 8). However, commissioners on the water conservancy boards are volunteers, and funding for board operations is provided through application fees, which are set by the boards. Thus no expenditure impacts are anticipated for these boards.
- The potential grants to Water Resource Inventory Area (WRIA) planning units of \$100,000 to add components to watershed assessments would not constitute a fiscal impact required of local governments since the local planning units are not required to conduct these studies.
- Currently, approximately \$12 million is spent annually on conservation measures, 75% of which under Section 27 would be deductible. Given a tax rate of 4.7%, and assuming that expenditure levels stay the same, public water utilities may save approximately \$423,000 annually between FY 2001 and FY 2002 (after which the provision would expire).

Sources:

Department of Revenue  
Washington State Association of Counties  
Association of Washington Cities  
The Office of Financial Management

## **C. SUMMARY OF REVENUE IMPACTS**

*Briefly describe and quantify the revenue impacts of the legislation on local governments, identifying the revenue provisions by section number, and when appropriate, the detail of revenue sources. Delineate between city, county and special district impacts.*

There are no direct revenue impacts on local governments under this substitute bill.

Indirect revenue impacts may result from deductions for conservation expenditures by public utilities resulting in turn in decreased funding for public projects through the public works fund, which is funded through tax revenues. According to the Department of Revenue, the public works fund would lose \$169,300 between FY 2002-05. Since the public works fund provides grants to counties, cities, and special purposed districts for projects to maintain public works systems, local governments would potentially lose funding for projects under this bill. However, deductions for conservation spending or amounts received for reclaimed water would also result in negative expenditures for public utilities.

Source:

Department of Revenue Fiscal Note